

9 July 1971

NOTE FOR: JMM

THROUGH: GLC 

1. This reply to OMB for our comments on omnibus retirement act amendments for Foreign Service is based upon the input of D/Finance, D/Personnel, and John Warner.

2. I told JSW that it was my recommendation to you that the point he wants to make on transfer of employer contributions to OMB, while sound in principle, does not serve any immediate or long-term interest of the Agency and would be butting into State Department's business with no advantage to the Agency, but at the price of causing some problems for State. I told JSW that we all value his comments and that you would like to hear further from him. He said he didn't feel this was necessary; he had stated his opinion in writing (see attached); that I was representing his views accurately, and that the outcome had no direct bearing on an Agency interest. (I have told Hull, in State, that we believe our provision would appear to be attractive to them but he said they had reasons for not adopting it and would hope that we did not feel that we are obligated to raise this question in our report to OMB.)



LLM

01113

13 JUL 1971

Mrs. Naomi R. Sweeney  
Office of Assistant Director for  
Legislative Reference  
Office of Management and Budget  
Washington, D. C. 20503

Dear Mrs. Sweeney:

This is in response to your request of 11 June 1971 for our views on the State Department draft bill proposing Foreign Service retirement and related amendments of the Foreign Service Act of 1946.

The Central Intelligence Agency has no objection to the proposed legislation.

Sincerely,

John M. Maury  
Legislative Counsel

Distribution:

Orig & 1 - Adse

1 - Subj

1 - Chrn

OLC/LLM:smg (8 July '71)

EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

JUN 11 1961

LEGISLATIVE REFERRAL MEMORANDUM

To: Legislative Liaison Officer  
Civil Service Commission  
✓ Central Intelligence Agency  
Treasury Department

Subject: State Department draft bill proposing Foreign Service retirement and related amendments of the Foreign Service Act of 1946.

The Office of Management and Budget would appreciate receiving the views of your agency on the above subject before advising on its relationship to the program of the President, in accordance with Budget Circular A-19.

- (x) To permit expeditious handling, it is requested that your reply be made within 30 days.
- ( ) Special circumstances require priority treatment and accordingly your views are requested by

Questions should be referred to Hilda Schreiber ( 395-4650 ) or to Victor Zafra ( 395-3736 ), the legislative analyst in this office.

Naomi R. Sweeney, for  
Assistant Director for  
Legislative Reference

Enclosures



DEPARTMENT OF STATE

Washington, D.C. 20520

JUN 4 - 1971

The Honorable  
George P. Shultz, Director  
Office of Management and Budget

Dear Mr. Shultz:

In accordance with established procedure, there are enclosed for your review a number of proposed Foreign Service retirement and related amendments of the Foreign Service Act of 1946.

These amendments are designed to facilitate and improve administration of the retirement system and to provide equity to officers and employees of the Foreign Service. The need for many of these changes was identified by the recent Task Forces on Management Reform. A detailed explanation and justification for each change is included.

Many of the proposed amendments involve changes in Foreign Service survivor benefits to equate Foreign Service benefits with corresponding Civil Service benefits. These changes are needed to provide equity to present participants in the Foreign Service retirement system. They are especially urgent at this time because personnel converting to the Foreign Service retirement system under the Foreign Affairs Specialist program naturally want to be assured that their benefits under that system are equivalent to benefits they now have under the Civil Service retirement system. These proposed amendments are necessary to ensure this.

Many of the proposed retirement amendments have been delayed for the past several years pending resolution of the retirement funding problem. This problem was greatly alleviated by enactment in 1970 of Public Law 91-201 providing for payment of interest on the unfunded liability and for appropriations to amortize, in total, the unfunded liability

-2-

created by future pay raises and benefit improvements. In order to appraise the effect of this Act, the Government Actuary in the Treasury Department has constructed a static computer model (no future pay raises) and a dynamic model (assuming pay raises of  $3\frac{1}{2}$  percent per annum) to project the future course of the retirement fund over the next 80 years assuming continued payment of approximately one-half of the normal cost of the system, i.e. continuation of the present employee 7 percent contribution, matching 7 percent agency contribution and about  $1\frac{1}{2}$  percent from participants in payment for prior service credit. Under the static model, the fund becomes exhausted in the year 2025. In the dynamic model, the retirement fund continues to rise in proportion to annual benefit payments and by the year 2050, it exceeds \$14 billion. This is 10 times the projected benefit payments for that year and compares to the present ratio of the fund being double annual benefits.

In the near future, we plan to submit additional amendments of the Foreign Service Act involving medical and travel authority, alien personnel and general administrative matters. We believe the Foreign Relations and the Foreign Affairs Committees will want to consider all proposed amendments of the Foreign Service Act at one time. Accordingly, we propose to combine all proposed amendments in a single bill covering retirement, travel, medical, alien personnel and general administrative matters. For this reason, we have not included here a draft bill or covering transmittal letter to the Speaker. We will prepare these after we have obtained your clearance on all of the proposed amendments.

In lieu of a draft bill, we are attaching for your review at this time comparable text showing present and proposed language for each section we propose to amend and an explanation of each amendment. We trust this procedure will meet with your approval.

There is also enclosed a summary description of the proposed amendments, a cost estimate and summary of the Actuary's projections.

-3-

We would appreciate your prompt consideration of these amendments and clearance for submission to the Congress.

Sincerely,

David M. Abshire  
Assistant Secretary for  
Congressional Relations

Enclosures:

1. Summary description of amendments
2. Summary of actuarial projections
3. Comparable text and explanation
4. Cost estimate

29 June 1971

MEMORANDUM FOR: Office of Legislative Counsel  
Mr. Lyle L. Miller

SUBJECT: Proposed Foreign Service Retirement and  
Related Amendments to Foreign Service Act  
of 1946

Lyle:

On the Foreign Service Act Amendments, it is my view that basically, of course, the Agency has no objection. As discussed with you earlier, however, I do not particularly like the granting of annuity to widows who are married to annuitants who retired prior to October 16, 1960 and did not elect a survivor benefit. I believe we should take a strong position with OMB that provisions should be included for two-way automatic transfer of employer contributions and employee contributions

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JOHN S. WARNER  
Deputy General Counsel

Att.

Entire Package on FSR Amendments

SENDER WILL CHECK CLASSIFICATION TOP AND BOTTOM			
UNCLASSIFIED	CONFIDENTIAL	SECRET	
OFFICIAL ROUTING SLIP			
TO	NAME AND ADDRESS	DATE	INITIALS
1	Mr. Lyle Miller		
2	Room 7-D-35 Headquarters		
3			
4			
5			
6			
ACTION	DIRECT REPLY	PREPARE REPLY	
APPROVAL	DISPATCH	RECOMMENDATION	
COMMENT	FILE	RETURN	
CONCURRENCE	INFORMATION	SIGNATURE	
<b>Remarks:</b>  Lyle:  1. Please see my note to Harry Fisher on the Department of State retirement legislation. You will see that our position is that we have no objections to the proposals.  2. Note also the point that John Warner wants to make. You might want to talk with him directly on this. You will see from Harry's note that he is not inclined to go directly to OMB but, rather, to try to talk State into putting this into their legislation.  <div style="text-align: right;">(Over)</div>			
FOLD HERE TO RETURN TO SENDER			
FROM: NAME, ADD		IO.	DATE
DD/Pers/SP 5E67 HQ			6/29/71
UNCLASSIFIED	CONFIDENTIAL	SECRET	

FORM NO. 237 Use previous editions  
1-67

(40)

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## ROUTING AND RECORD SHEET

SUBJECT: (Optional)

FROM:

Deputy Director of Personnel  
for Special Programs

EXTENSION

NO.

DATE

29 JUN 1971

STAT

TO: (Officer designation, room number, and building)

DATE

RECEIVED

FORWARDED

OFFICER'S INITIALS

COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

1.

Director of Personnel

29 JUN 1971

JWV

1. Attached is a memo from

2. Room 5-E-56  
Headquarters

transmitting comments STAT

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DD/Pers/SL

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Fine on para 3 - except

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I would also suggest to

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Lyle that it might be

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more appropriate to call

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his counterpart at State and

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suggest the addition of the

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transfer concept. I'm not

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inclined to go directly to OMB

on proposed amendments to the Foreign Service Retirement Act. I have already met with John Warner who shares our opinion that there is nothing in this series of proposals to which we should object. Most of the items are to catch up with what is already in Civil Service and CIARDS; other items, e.g., second spouse, are what we are seeking ourselves. John does not fear the requested maximum increase from 35 years to 40 years. Hence, we can report to Lyle that we have no objection to these proposals.

2. John Warner does feel, however, that even though there is not a proposal on which we have been asked to comment, we should take the initiative and inform OMB that State should seek the same provision on the transfer of employee and government contribution which is now a part of our law.

I questioned him as to the propriety of our volunteering some comment and he answered by saying he felt it appropriate.

3. What I suggest we do is to report our position to Lyle and also let Lyle know how John feels

Lyle can then draft a letter which we can review for concurrence.

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FORM 3-62

610

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## ROUTING AND RECORD SHEET

SUBJECT: (Optional)

FROM: Director of Finance  
1212 Key Bldg.

EXTENSION

NO.

DATE

22 JUN 1971

TO: (Officer designation, room number, and building)

DATE

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OFFICER'S  
INITIALS

COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

1. Office of Leg. Counsel  
Attn: Mr. Lyle Miller  
7-D-35 Hqs.

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1. We have reviewed the State Department draft bill proposing Foreign Service and related amendments of the Foreign Service Act of 1946. We see nothing which appears to warrant formal Agency comment insofar as financial facets of the proposal are concerned.

Director of Finance

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3-62

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UNCLASSIFIED		CONFIDENTIAL	
		SECRET	
<b>OFFICIAL ROUTING SLIP</b>			
TO	NAME AND ADDRESS	DATE	INITIALS
1	D/Pers	✓	
2	OGC (Warner)	✓	
3	D/Fin	✓	
4			
5			
6			
ACTION		DIRECT REPLY	PREPARE REPLY
APPROVAL		DISPATCH	RECOMMENDATION
COMMENT		FILE	RETURN
CONCURRENCE		INFORMATION	SIGNATURE
<b>Remarks:</b>  <p style="text-align: center;">For your recommendation of Agency views on the proposed Foreign Service Retirement Act amendments which is the material sent to you on 9 June 1971.</p> <p style="text-align: center;">Due date: 30 June. Please let us know if there will be a delay as we would like to submit our views as early as possible.</p> <p style="text-align: right;">Lyle Miller</p>			
<b>FOLD HERE TO RETURN TO SENDER</b>			
FROM: NAME, ADDRESS AND PHONE NO.			DATE
Legislative Counsel 7D35			6-15-71
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		SECRET	

FORM NO. 1-67 **237** Use previous editions

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## ROUTING AND RECORD SHEET

SUBJECT: (Optional)

FROM:

Office of Legislative Counsel  
Lyle L. Miller

EXTENSION

NO.

DATE 9 June 1971

TO: (Officer designation, room number, and building)

DATE

RECEIVED

FORWARDED

OFFICER'S  
INITIALS

COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

1.

OGC (Mr. Warner)

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State has sent us their proposed omnibus amendments to the Foreign Service Retirement Act, hoping this would facilitate our early review and, if appropriate, support if OMB formally requests our comments.

While many of the amendments are designed to catch up to recent liberalizations in the Civil Service system, one terminates future annuities for surviving spouse below age 60, thus ending one of the major differences between Foreign Service and other systems with respect to treatment of surviving spouses. Also, State is proposing an increase in maximum annuity from 70 to 80%, again, and a supplemental annuity for recall periods of less than five years.

(Note: Copies sent to Warner (OGC), D/Personnel and D/Finance)

FORM 3-62

610

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DEPARTMENT OF STATE

Washington, D.C. 20520

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David M. Abshire  
Assistant Secretary for  
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